

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 OTTAWA 000612

SIPDIS

STATE FOR WHA/CAN - PATRICIA NORMAN, EB/TRA - SUSAN PARSON

STATE PASS USTR FOR JOHN MELLE

USDOT FOR JEFF SHANE, SUSAN MCDERMOTT

FAA FOR KRISTA BERQUIST

TSA FOR SUSAN WILLIAMS

SIPDIS

E.O. 12958: N/A

TAGS: [FAIR](#) [EINV](#) [CA](#)

SUBJECT: Canadian Transportation Strategy Unveiled: Aviation Focus

REF: A) OTTAWA 00374 (Ambassador's Lunch with Minister

Collette)

B) OTTAWA 00385 (Air Canada Financial Woes)

C) 02 OTTAWA 2824 (Aviation Report Recommends Liberalization)

D) 01 OTTAWA 0383 (Liberalization, Foreign Carriers considered)

Summary

1. The Government of Canada's strategic vision for transportation policy was unveiled on February 25th, 2003. There appear to be no radical departures from past GOC positions; gradualism is the key note struck by the authors of the policy statement. The policy vision addresses all modes: air, marine, and surface (rail and road). This cable, however, focuses exclusively on aviation issues (other modes will be addressed septel). From the US perspective the key message is that GOC intends further "gradual liberalization" of Canada's bilateral air agreements. More substantive aviation developments for the US may arrive, however, via the "exploratory talks" which Transport Minister Collette and his Deputy suggested to Ambassador Cellucci (Ref A). End Summary.

Policy Vision in development since mid-2001

2. The policy vision, with the title "Straight Ahead: A vision for Transportation in Canada" is the final version of the Transportation Policy Blueprint initiated in July 2001. This effort, in turn, was precipitated by the final report of the independent, blue-ribbon, Canada Transportation Act Review (CTAR) panel which contained 92 recommendations to the Minister to improve regulation of Canada's transportation sector (Ref C,D). The "Straight Ahead" document, as well as the CTAR panel report and other supporting documents are available on-line at the following URL:

<http://www.tc.gc.ca/aboutus/straightahead/men u.htm>

Aviation Liberalization

3. With respect to civil aviation, the key action item of interest to the USG is that the GoC "will continue the gradual liberalization of Canada's bilateral air agreements, using the 1995 Canada-United States Open Skies agreement as a guide."

4. The authors of the policy vision note that there is continuing pressure on the government to remove restrictions on foreign participation in Canadian domestic and international air markets (Ref C, D) and, "under the right circumstances, opening Canada's air markets to greater external participation on a reciprocal basis could introduce some new competition and lead to greater efficiency." "In the government's view, however, now is not the appropriate time to undertake this step" since "the harsh realities of the current marketplace indicate that the primary effect of making such a significant change would be to weaken an already vulnerable industry."

Airport governance

15. To clarify the respective responsibilities of the government and of airports of national significance (e.g. Toronto, Vancouver, Dorval/Montreal, Calgary) the GoC, intends to set out detailed rules for airport authorities to follow respecting governance, accountability and transparency of economic issues at national airports.
Comment: This is a welcome development, in the past both passengers and airlines have complained about murky accounting for the large sums of money airports acquired through levying a variety of fees on passengers and airlines (Ref B). End comment.

Industry comments

16. Air Canada officials are disappointed in the GoC plan. They commented that although the new policy vision acknowledges the unprecedented crisis in the airline industry, the GoC has offered no concrete relief (read direct financial aid) to the industry.
17. WestJet, the profitable low-fare operator in Canada also appeared underwhelmed by the GoC policy vision. The item pitched directly to the smaller airlines was the GoC promise to introduce laws forcing Air Canada to offer interlining and sharing of frequent flier points, in which WestJet, as a low-cost operator, has no interest whatsoever. WestJet complained that there was little consultation between the airline and Transport Canada in the development of the policy vision

Comment

18. With respect to civil aviation the policy vision provides impetus for a series of low key, incremental developments, largely administrative in nature. There will be no dramatic moves to liberalize the aviation sector as has repeatedly been recommended to the government by independent panels, observers, parliamentary committees and even the GoC's Competition Bureau (Refs C,D). Indeed, the announcement in the February 18 federal budget that the Aviation Security Fee will be reduced from \$24 to \$18 per domestic round trip far outstrips this policy vision in significance (Ref B). More substantive ideas on aviation liberalization may have to await discussion in any future "exploratory talks" of the type broached during the lunch between Minister Collenette and Ambassador Cellucci (Ref A).

Cellucci